

Manteca, California
August 22, 2006

The Board of Directors of the South San Joaquin Irrigation District met in regular adjourned session in their chambers at the hour of 9:00 a.m.

Upon roll call, the following members were noted present:

DIRECTORS: DEGROOT KAMPER ROOS SCHULZ KUIL

Also present were Secretary/Manager Stroud, General Counsel Emrick, Utility Systems Director Shields, and Water Treatment System Manager Hubkey.

President Roos called the meeting to order and asked for Public Comment. John Chin, PG&E representative, told the Board he sees on the agenda something relative to purchasing property from PG&E. He said PG&E has stated before and is still stating they are not interested in selling their system. He also said SSJID needs LAFCO approval, and the MID situation is a good example of that even though they failed to get approval outside their boundaries. He stated MID had lost their case. He said the District needs to look at a different approach and quit spending SSJID tax money and PG&E shareholders money. Mr. Chin gave President Roos a copy of the decision in the MID LAFCO case.

Mr. Shields corrected Mr. Chin and stated that the retail electric project had been funded through Tri-Dam Project revenues, not tax money.

President Roos asked the Board to consider approving the Consent Calendar items as presented.

CONSENT CALENDAR

- A. SSJID Warrants of \$437,446.62.
- B. Regular Board Meeting Minutes of August 8, 2006.

Motion by Kuil, seconded by Kamper, to approve the Consent Calendar as submitted.

PASSED AND ADOPTED this 22nd day of August 2006 by the following roll call vote:

Ayes:	DeGroot	Kamper	Roos	Schulz	Kuil
Noes:	None				

Consider request by Alfred Schimmel to acquire property interest of the District's in conjunction with a proposed parcel split. Bologna said Mr. Schimmel is asking the District to accept \$15,000 as a down payment with the remainder on a Deed of Trust against the property. General Counsel Emrick said a Deed of Trust sets a precedent of District financing and the District should not be in the lending business. Emrick stated the District could instead, agree to sell and transfer title when the land is paid for at the price recommended by staff of \$57,247.00. Staff had several recommendations, which were included in the packet, some key points that must be adhered to are: District shall reserve a 25-foot wide easement, from the sale, for Lateral "B"-15 dd with the restrictions specified in our standard grant of easement form. Owner shall sign an Encroachment Agreement to cover all proposed encroachments to be located within the easement. Owner shall comply with conditions set forth in the San Joaquin County referral letter dated February 4, 2004, including conveyance of private easements. Transfer of title to be conditioned on recordation of the parcel map and payment of the purchase price to the District. Emrick said the District can write a letter or appear with Mr. Schimmel before the County to assist him, if he requests us to do so. Motion by Kuil, seconded by Kamper, and unanimously carried, to approve the sale based on the above recommendations.

Dave Ward, of Interwest Insurance Services, Inc., addressed the Board concerning the District's liability and property insurance policies. Mr. Ward told the Board there are not a lot of markets available that have the broad coverage that our current insurer, Rural Special Districts Insurance (RSDI) and Special Districts Resource Management Association (SDRMA) have. Such as inverse condemnation insurance. Both are good with some differences. RSDI is insurance, the rates are set, and the company attempts to make a profit. SDRMA is self insured up to \$500,000, and rates are subject to retrospective premiums or rebates. Ward said RSDI has offered a 10% discount over last year if they do not have to prepare a bid. In addition, he thinks that SDRMA's premium for the coming year will be similar to RSDI. Wards recommendation is to stay with RSDI and not request a bid from SDRMA. Mr. Ward was asked if he would reduce his commission if he did not have to go through a bid. He responded that Interwest's standard commission is 10%, which he feels, is quite reasonable and doubts it could be reduced in a situation where the rates are going down. The consensus of the Board was to go along with Mr. Ward's recommendation and stay with RSDI, but to ask for more than 10% reduction in rates. No action was taken.

Consider revising the District's life insurance benefits. Stroud said the current cost for \$15,000 life insurance is 38 cents per \$1,000 of coverage. If we went to \$50,000 in coverage the cost would be 34 cents per \$1,000; if to \$100,000 in coverage the cost would be 33 cent per \$1,000. After discussion, it was referred to the insurance committee for a recommendation. No action was taken.

Consider approving contract with Beck Enterprises for rehab work on the Long Tunnel in the Joint Supply Canal. Stroud said the total cost for the work is \$701,188, with OID's share being approximately \$196,000. Stroud noted OID's General Manager concurs with the scope of work and that the work needs to be done this winter. He recommends approval. Motion by Kuil, seconded by Kamper, and unanimously carried, to approve the approval of work by Beck Enterprises at \$701,188, and authorize the General Manager to execute an agreement with Beck Enterprises.

President Roos asked for Manager's reports:

Hubkey reported the following:

Zenon's flow test will conclude today or tomorrow. Zenon is giving us a couple of days to clean the membranes before starting the capacity test, 37 MGD.

We lost the level control at one of our storage tanks at the plant last night. Hope to have it back on line today or tomorrow.

We have hired three new operators, one started yesterday, another will start on August 28, 2006 and the other will start on September 6, 2006.

Director Kuil asked if we can run the plant if we were not to have Zenon's assistance. Hubkey said we can, but he feels Zenon will continue to support and work with us. They have committed to do so. We currently have the largest plant in the United States using ZeeWeed 1000 membranes, so they would like the District to be a good reference.

General Counsel Emrick asked if we have a home for the maximum capacity production. Hubkey said we are working with the Cities to lower the level in their storage tanks before the test, as we will lower ours. The test will run only 10 to 12 hours per day over the 12-day period, so we feel confident we can handle the 37 MGD test.

Roos asked about the drying beds for this winter. Hubkey said we have two clean beds now, last year we had no clean beds, and he is confident we will make it through the winter, but cannot guarantee it.

Stroud reported the following:

Relative to SEWD contract for long-term power costs, EEDI has natural gas and will put in production, enough to supply SEWD's regular load,, approximately 2.3 MW. The 10-

year contract with a 10-year renewal calls for a fixed margin of about one cent per kwh below PG&E rates for all EEDI generation used by SEWD.

Lambert Van Dykhuizen, aka Dutch is retiring after 20 years at the District. We are having cake and ice cream for him this afternoon at 2:00 p.m. All staff and directors are invited to come and wish Dutch well in his retirement.

ACWA Conference is in Anaheim, December 6 thru December 8, 2006.

San Joaquin County Vector Control has had problems on West Yosemite with a landowner using too much water. We are working with them to resolve the problem.

Handed out copy's of answers to common perceptions on the Friant settlement resolution on the San Joaquin River.

Relative to a question last Board meeting about bottled water, he talked to the Cities, two have responded that we should at least look into it. We will be researching the issue when testing at the water plant is completed.

Lathrop has asked us to look into moving up Phase II of the treatment plant. Escalon is also interested in moving up the date. We will be looking at the possibility.

Shields reported:

PG&E's use of ratepayer's money to hire consultants to fight us and others trying to take over their systems has been dropped from their General Rate case. Final cost to ratepayers will average 8.7% in 2007.

The newsletter that has been going around lately is in its third edition. If you have comments or subjects you would like to covered, let Alexa or me know. Our next project will be pictures in an organizational chart for all employees and directors.

Stein reported:

The Zenon test at the WTP was completed this morning.

Relative to security, we have explored a couple of options: 1). put a beam around the perimeter, cost is approximately \$12,000 plus cost of electricity; monitoring would be \$130 per month. 2). Add lighting and extra cameras, cost is approximately \$23,000. 3). A six-foot block wall with razor wire on top. The cost per foot is approximately \$100. Total footage required would a minimum of 1,930 feet, for an approximate cost of \$193,000. Currently we are paying \$44,640 annually for a security guard. After discussion, Stein was asked to get some bids on a block fence.

Director's reports:

DeGroot asked why the property next to the Manteca Pump Station on Lathrop Road has not been cleaned up. Stroud said he would talk to the City since they are leasing the property from us.

Kuil said he is aware of two District pipelines that have problems. The "U" line by Merlin Mohler's has leaks, despite repairs made last winter. A "DD" line by Melton Road near Cunningham's property also leaks. Stroud said he would look into them.

President Roos called for closed session. General Counsel Emrick reported the following will be discussed.

Conference with legal counsel relative to anticipated litigation, initiation of litigation. Gov. Code, S. 54956.9 (c). Two Cases.

Conference with legal counsel, relative to anticipated litigation, significant exposure to litigation. Gov. Code, S. 54956.9. One case.

Conference with legal counsel, existing litigation. Gov. Code, S. 54956.9. Three cases:
Deltakeeper v. SSJID, Sacramento County, Case No. 04CS00228.
Collins Electric v. C. Overaa & Co. et. al. San Joaquin County, Case No.
CV029244.
Jacob Her, et. al. v. Yang Her, et. al.. San Joaquin County, Case No. CV029260.

Conference with Real Property Negotiator. Negotiating parties: District & Pacific Gas & Electric Company. Property: PG&E retail system within District boundaries. Agency negotiator: Jeff Shields. Under negotiation: Price.

Public Employment – Gov. Code, S. 54957. Performance review, General Manager and General Counsel.

Board returned from closed session to make two announcements: General Counsel Emrick announced the following:

In Closed Session the Board by a four to one vote, with Director DeGroot voting No, voted to authorize filing of a lawsuit to challenge LAFCO's decision rejecting the District's application to provide retail power service in the District.

The Board unanimously authorized making an offer to PG&E to purchase their retail system within the District boundaries, with terms and conditions to be disclosed at a later date.

Consider authorizing the General Manager to negotiate and execute an agreement with Allen Strategic-J. Warner Group to do Public Relations work. Shields said we need approximately \$50,000 through December 2006. Motion by Kamper, seconded by Roos, to authorize the General manager to negotiate and execute an agreement with the recommended agency at a cost not to exceed \$50,000 through December 2006.

The Board returned to closed session. Upon returning from closed session, the following action relative to compensation review on the General Manager and the General Counsel was taken. Motion by DeGroot, seconded by Kamper, to increase the General Manager and the General Counsel salaries by 5% retroactive to July 11, 2006. Motion Carried by the following vote:

Ayes: DeGroot	Kamper	Roos
Noes: Schulz	Kuil	

There being no further action to come before the Board it was moved by DeGroot, seconded by Schulz, and unanimously carried to adjourn to September 12, 2006 at 9:00 a.m.

ATTEST:

John Stein, Assistant Secretary